

VZCZCXRO0942
RR RUEHLN RUEHVK RUEHYG
DE RUEHTA #0474/01 0710148
ZNR UUUUU ZZH
R 110148Z MAR 08
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC 1940
INFO RUCPCIM/CIMS NTDB WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCNCIS/CIS COLLECTIVE 0427
RUEHAK/AMEMBASSY ANKARA 2146
RUEHBUL/AMEMBASSY KABUL 0381
RUEHNE/AMEMBASSY NEW DELHI 0494
RUEHAST/USOFFICE ALMATY 0290

UNCLAS SECTION 01 OF 03 ASTANA 000474

SIPDIS

DEPT FOR SCA/CEN (O'MARA)
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KTDB](#) [KZ](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, FEBRUARY 2 - 22, 2008

ASTANA 00000474 001.2 OF 003

¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been verified for accuracy.

- Bilateral Talks with Canada Completed
- New Head of Samgau Holding Appointed
- General Electric Begins New Era of Cooperation
- EBRD to Invest over \$1 Bln in Kazakhstan
- Agricultural Sector News
- Results of Kazyna in 2007
- State To Acquire Stake in Ekibastuz GRES-1
- Greenoak Group Might Manage Batumi Oil Terminal for KMG
- KMG To Build Gas Refinery
- Government's Initiatives on Subsoil Use Issues
- Energy Statistics for January of 2008

Bilateral Talks with Canada Completed

¶2. A protocol completing bilateral talks between Canada and Kazakhstan for WTO accession was signed. According to the Vice-Minister of Industry and Trade Aitzhanova, Kazakhstan had to compromise by reducing import tariffs for such goods as aircraft, whisky and tobacco. At the same time, she pointed out, Kazakhstan managed to protect the interests of agricultural producers. (Kazakhstan Today News Agency, February 13)

New Head of Samgau Holding Appointed

¶3. Replacing Azamat Abdymomunov, former presidential aide Serik Burkitbaev was appointed the new CEO of the national scientific and technological holding company Samgau. Samgau was established in 2007 with the goals of creating a modern communication infrastructure and unifying existing national information and communication resources. Samgau is comprised of 12 companies including "Katelko" (national broadcasting company), "KazTeleRadio" (TV and radio company), KazPost (national postal service), and KazSatNet (satellite technology.) (Interfax-Kazakhstan, February

General Electric Begins New Era of Cooperation

¶4. The government of Kazakhstan and General Electric International (GE) signed a partnership memorandum on February 21. In the words of the President and CEO of General Electric International, Nani Beccalli-Falco, this is a new era in the partnership between GE and Kazakhstan. The memorandum outlined many priority sectors of cooperation including oil and gas transportation, power generation, bio-fuels and alternative energy, mining, uranium enrichment, investment management, the development of the transportation infrastructure, and machine building. (Interfax-Kazakhstan, February 22)

EBRD to Invest over \$1 Bln in Kazakhstan

¶5. "I think that in 2008 we will sign new projects worth over \$1 billion, with approximately half of the sum to go to the banking sector," Andre Kuusvek, the EBRD country director for Kazakhstan, told a news conference at the Interfax office in Almaty. The EBRD will continue to operate loan programs for small and medium business in the country, he said, adding that some five Kazakh commercial banks will take part in the program this year. In addition, the EBRD "will try to open the market of syndicated loans for Kazakh banks" in the second half of 2008. (Central Asia General Newswire, February 19)

Agricultural Sector News

¶6. The Government of Kazakhstan (GoK) lifted and decreased import tariffs for agricultural equipment. According to the GoK's regulation, import duties were significantly reduced for seeders (from 5% to 0%) and caterpillar tractors (from 15% to 5%.) A zero

ASTANA 00000474 002.2 OF 003

percent import duty has also been established for other large farm machinery including cultivators, ploughs, and harrows. The GoK believes that this measure will boost import of agricultural equipment from non-CIS countries. The Customs Union formed by Russia, Belarus and Kazakhstan will also continue to enjoy duty-free imports of agricultural machinery. (Interfax-Kazakhstan, February 8)

¶7. The GoK increased state subsidies for several crops. According to the Agriculture Minister Yesimov, subsidies per hectare were raised from 1,200 tenge (\$10) to 4,800 tenge (\$39.7) for oilseeds, from 10,174 tenge (\$84.2) to 50,000 tenge (\$414) for sugar beet, and from 9,000 tenge (\$74.5) to 12,000 tenge (\$99.3) for melons and vegetables. He also announced about a new subsidy of 1,500 tenge (\$12.4) per hectare for potatoes. (Interfax-Kazakhstan, February 18)

Results of Kazyna in 2007

¶8. According to Kazyna Chairman Arman Dunayev, the Kazyna Sustainable Development Fund earned a 4.86 billion tenge (around \$39.657 million) profit in 2007. This was achieved as a result of a significant reduction in expenditures, Dunayev said. The accomplishment marks a significant turnaround for Kazyna, whose losses totaled 4.636 billion tenge (around \$36.78 million) in 2006. (Interfax-Kazakhstan, February 12)

State To Acquire Stake in Ekibastuz GRES-1

¶9. Prime Minister Karim Masimov ordered the state-owned company Samruk Energo to conduct negotiations with Kazakhmys PLC to acquire a 33-50% stake in Ekibastuz GRES-1, a coal-fired power plant in Pavlodar province. On February 5, 2008, Kazakhmys signed an agreement to buy Ekibastuz GRES-1 and the Maikuben West open coal mine from AES Corporation. (Panorama newspaper, February 8)

Greenoak Group Might Manage Batumi Oil Terminal for KMG

¶10. Kazakhstan's national oil and gas company KazMunayGas (KMG) plans to hand its management rights on the Batumi Oil Terminal to Danish-led Greenoak Group. On February 6, 2008, KMG acquired a full stake in the terminal from Greenoak and its partners. (Interfax - Kazakhstan, February 8)

KMG To Build Gas Refinery

¶11. By April of 2008, KMG intends to complete a technical feasibility study and an economic cost analysis for building the Karachaganak-based Aksai Gas Refinery with an initial transit capacity of 5 billion cubic meters of gas a year. Karachaganak gas shipped to the Aksai Gas Refinery will meet domestic demand, while gas transported to the Orenburg Gas Refinery will be exported. (Interfax - Kazakhstan, February 12)

Government's Initiatives on Subsoil Use Issues

¶12. Prime Minister Karim Masimov ordered Kazakhstan's Holding for State Assets Management "Samruk" to create a national mining and metals company that will manage state stakes in all mining and metals projects similar to KMG representing state interests in the oil and gas industry. (Interfax - Kazakhstan, February 8)

¶13. Emergency Minister Vladimir Bozhko notified Prime Minister Masimov that he warned Arcelor Mittal Temirtau that its mining license will be revoked if the company does not improve its labor safety standards. Masimov proposed to amend the subsoil use law to strengthen labor safety requirements in subsoil use contracts. (Kazakhstan Today, February 19)

Energy Statistics for January of 2008

ASTANA 00000474 003.2 OF 003

¶14. According to the National Statistics Agency, in January of 2008, Kazakhstan produced 4.903 million tons of crude (5.4% more than in January of 2007) and 1.058 million tons of gas condensate (15.4% more year-on-year.) Coal production in Kazakhstan rose 11.2% to 10.17 million tons. Electricity production grew 9% to 8.196 billion kilowatt-hours. (Interfax - Kazakhstan, February 13)

ORDWAY